

Message Text

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C O N F I D E N T I A L MANILA 1862

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E.O. 11652: GDS

TAGS: ECON, ENRG, RP

SUBJECT: MOBIL OIL -- A SOLUTION MAY YET SHEIK OUT

REF: MANILA 469

1. IN SERIES OF SEPARATE TALKS OVER PAST WEEK AMONG MOBIL REPS AND GOP, MOBIL REPS WITH EMBASSY AND REVIEW OF PROBLEM BY PATERNO WITH ECON/COMMERICAL COUNSELOR, THE IMPASSE BETWEEN MOBIL AND PNOC APPEARS TO HAVE MOVED TOWARD AN ATMOSPHERE MORE CONDUCTIVE TO REASONABLE SETTLEMENT. AMONG MAIN DEVELOPMENTS OF INTEREST TO DEPARTMENT (A) IN SESSION FEB 4 OF MOBIL REPS (WILSON, MAXON AND WALES) WITH PNOC (VELASCO, PATERNO, MENDOZA), GOP TO HAVE CONVEYED CLEAR INTENT TO REFUSE TO IMPLEMENT 7 PERCENT SHARE PURCHASE OPTION, AND TO STRUCTURE BRC AT 60-40; (B) IN FOLLOWUP SAME DAY WITH MOBIL REPS, AMBASSADOR WAS INFORMED THAT MOBIL WAS AT LEAST PREPARED TO EXPLORE AT THIS STAGE POSSIBLE TERMS OF SETTLEMENT QUOTE ASSUMING BUT NOT CONCEDED UNQUOTE RESTRUCTURING TO 60-40; (C) PATERNO IN TELECON FEB 6 PROPOSED TO ECON/COMMERCIAL COUNSELOR THAT TALKS ON QUOTE ASSUMING BUT NOT CONCEDED UNQUOTE BASIS BE HELD IN NEW YORK WITH MOBIL WHILE PATERNO IS THERE IN LATE MARCH. WALES IS NOW PURSUING LATTER PROPOSAL WITH PATERNO, AND IS INFORMING NEW YORK THAT HE CONSIDERS PATERNO PROPOSAL
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A CONSTRUCTIVE STEP.

2. BARGAINING PLOY OF MOBIL, TO INTEREST THE SAUDIS IN TAKING A SHARE OF BRC EQUITY. THIS WAS REPORTED AS A FEELER OF MOBIL TO SAUDIS BY WILSON IN HIS CALL ON AMBASSADOR. IT IS NOW SAID TO BE A SERIOUS EFFORT IN JIDDA, AS REPORTED BY WALES. TO MOBIL'S KNOWLEDGE (OR OURS) THE FILIPINOS DO NOT YET KNOW OF SCHEME, THE SECRET IS PROBABLY NO SECRET.

3. COMMENT: ONCE GOP BECOMES AWARE OF MOBIL'S DICKERING WITH THE SAUDIS, THE OFFICIAL REACTION COULD BE: (A) PROPER HUFF OVER LACK OF PRIOR CONSULTATION; (B) OPEN ARMS TO PRESUMABLY MORE RELIABLE SAUDI OIL SUPPLIES; OR (C) JUMP AT A POSSIBLE CHANCE TO GET SAUDI PARTICIPATION, BUT TO REDUCE MOBIL PARTICIPATION, SO THAT PHILS EVENTUALLY HOLD A 60/40 CONTROL OF COMPANY. MOBIL IS AT THE MOMENT A BIT RELUCTANT TO FIND OUT, ALTHOUGH ADMITTING THAT NO DEAL WOULD BE POSSIBLE WITHOUT GOP APPROVAL.
SULLIVAN

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